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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1985

Product	Aug 1985	Jan-Aug 1985	% Jan.-Aug 1985 over Jan.-Aug 84
Electricity (bil.kw.hrs)	116	1007	103
Petroleum (inc. gas condensate) (mil.tons)	50.4	396	96
Natural Gas (bil.cu.mtrs)	52.3	420	110
Coal(mil.tons)	60.4	484	101
Steel (mil.tons)	13.2	102	98
Fertilizer (mil.tons)	2.8	21.7	105
Metal-cutting tools (mil. rubles)	221	1735	110
Robots (1000s)	1.2	9.5	99.6
Computer Technology (bil. rubles)	0.3	2.7	111
Tractors (mils.)	4.4	35.0	104
Paper (mil. tons)	0.5	3.9	100.8
Cement (mil. tons)	11.4	86.3	99.4
Meat (mil. tons)	0.8	6.3	103
Margarine (1000 tons)	90.0	864	97
Watches (mils.)	5.8	44.8	100.2
Radios (mils.)	0.7	5.7	93
Televisions (mils.)	0.8	6.2	103
Automobiles (1000s)	112	884	99.9

PRODUCTION RESULTS FOR THE FIRST EIGHT MONTHS OF 1985

It may not be enough to be meaningful, but in August, oil production did not drop at the same rate at which it had been dropping earlier. Production dropped by 3% rather than the 4% that had been recorded in almost every month prior to August. The overall drop for the eight months remains at 4%, but at least the marginal rate of change is not increasing as it did in June, indeed it decreased. This may be a consequence of the discipline campaign of General Secretary Gorbachev. There is still reason to believe that he is worried about oil production. That's reflected in the fact that he visisted the Tiumen oil fields in early September.

The discipline campaign also seems to be having a continuing impact in other sectors of the Soviet economy. For example, steel production in August 1985 compared to August 1984 rose 2%. For the year as a whole, production is down by 2%. The August results must therefore be particularly encouraging.

Similarly, the coal production is up 4% for the month, an unusually high increase given the problems that have hit the coal industry for the last several years. This is enough to push overall coal production for the first eight months of the year up by 1%. This is certainly encouraging news.

BALANCE OF TRADE FOR THE FIRST HALF OF 1985

See accompanying Table I on p. 4

The Soviets apparently continued to curb the export of petroleum and natural gas during the first half of 1985. Their total exports to Western Europe and Japan during the first six months of 1985 fell by about 1.7 billion rubles. That is a very sharp drop. Exports were reduced in particular to the major oil and gas importing countries such as Italy (500 million rubles), the Netherlands (300 million rubles), West Germany (almost 500 million rubles), and France (250 million rubles). Such a large drop in exports meant that a country like France which had been complaining bitterly about its negative trade balance with the Soviet Union ended up with a positive trade balance for the first half of 1985. West Germany came close to balancing its trade as well.

At the same time, the Soviets continued to import large quantities of grain so that for the first half of 1985, its imports from the United States rose approximately 500 million rubles, almost all of which was grain and particularly corn. The overall effect of this trade shift is that the positive trade balance which the Soviets had had with Western Europe and Japan for the preceeding three years was turned into a deficit of about 600 million rubles. For the hard currency countries considered here as a whole, the trade deficit was 2.7 billion rubles.

A trade swing of this magnitude undoubtedly hurts the Soviets. There were reports that during the third quarter of this year, they had again announced a cutback in petroleum exports. That may be part of a Soviet strategy to boost petroleum prices. However, that has certainly given the Soviets a very significant balance of trade problem.

U.S. - SOVIET IMPORTS FOR THE FIRST SIX MONTHS OF 1985

The trade figures for the first six months indicate that the Soviets are in serious need of corn. Imports of corn from the United States were almost double what they were in the first half of 1985 compared to 1984. In turn, 1984 was considerably higher than 1983. It looks like the Soviets were unable to obtain alternate supplies from Argentina and some of the other suppliers which it had begun to utilize after the U.S. embargo in 1980.

Even though agricultral specialists in the U.S.D.A. have indicated that the livestock situation in the Soviet Union is not as serious as we have indicated in this newsletter, it does look like the Soviets are making an extra effort to bring in corn, which presumably would be used to prevent further drop in the livestock herds.

Another feature worth noting in the trade figures is the relatively large increase in cotton exports from the United States to the Soviet Union that occurred in 1984 and continued at a considerably slower rate in 1985. This is a reflection of the fact that the Soviets have been having considerable difficulty with their cotton crop in Uzbekistan. That's partly due to the weather and also due to corruption. In any case, there was a significant increase in cotton imports from the United States beginning in 1983. It looks like they have not completely eliminated that problem. Imports from the United States are all the more notable given the fact that the Soviets have traditionally relied heavily on cotton exports.

See accompanying Tables II & V on pp. 5-7.

CORPORATE SPONSOR SEMINAR ON AGRICULTURE

Soviet agriculture, the prospects for its reform, and the Soviet need for grain imports will be the topics discussed at this year's first Corporate Sponsor session of the academic year.

It will be held in Cambridge on Monday, October 21, at the Harvard Faculty Club, 20 Quincy Street, in Cambridge.

Representatives from some of the grain companies will present their views of the grain market. We also expect to have specialists and officials from the Department of Agriculture as well as some traders from other grain growing countries. Of particular interest will be the representatives from Canada and perhaps Argentina. In addition, we will have a speaker who actually worked on a Soviet farm as part of a 4-H exchange agreement and who will just be returning from a tour of duty as agricultural attache in the U.S. Embassy in Moscow.

It may not be too late to sign up for this conference, depending on when you receive this newsletter. Call us at 617-495-4485 if there's still time and you're interested.

LIVESTOCK HERDS (Millions)

	9/1/84	9/1/85	8/1/85 as % of 8/1/84	9/1/85 as % of 9/1/84
Cattle	97.0	96.9	100.0	99.9
Cows	29.8	29.6	99.3	99.3
Hogs	62.6	60.3	96.1	96.3
Sheep & Goats	132.4	128.7	97.1	97.2
Chickens	774.7	803.1	102.1	103.7

The livestock herds as of September 1, 1985 continue to be below what they were a year ago. The major exceptions are chickens. The drop is not as large as it was as of August 1, 1985 but the Soviet herds do continue to be smaller than they were a year ago. The hog production is down by almost 4% although hogs seem to be the most expendable animal and the one that the Soviets always cut back on first when there is a grain shortage.

CURRENCY FIGURES

Rubles Purchased Per 100	Sept 1984	Aug 1985	Sept 1985
Austrian shilling	3.98	4.15	4.04
U.K. pound	107.46	112.76	111.29
W. German mark	27.95	29.19	28.49
U.S. dollar	84.55	81.30	83.05
French franc	9.11	9.55	9.36
Swiss franc	33.73	35.33	34.59
Japanese yen	.344	.342	.342
Italian lira	.0454	.0435	.0427

According to the report released by Gosbank SSR as of September 16 1985, all of the currencies listed above varied only slightly from last month's figures.

There is no significant change worth noting. There was a slight decline or lack of change for all of the above currencies except the U.S. Dollar which increased slightly in value relative to the ruble. It will be interesting to note whether or not the dollar decreases next month as it has declined recently.

JOURNALIST ORIENTATION A SUCCESS

The conference "Orientation for Journalists," held September 23, 1985, at the Harvard Faculty Club, was a big success. The focus this year was on the Soviet Union as it prepares for the Geneva summit meeting between President Ronald Reagan and General Secretary Mikhail Gorbachev. We had a full house. Particularly interesting was that many foreign correspondents, from offices in the United States and their home countries attended.

The discussion of political, social and economic developments, and special presentations on arms control by academic specialists should surely help those journalists who attended be better informed about the issues and climate which will dominate the proceedings in Geneva.

The special guests from the media Dusko Doder of the Washington Post, Bernard Gwertzman of the New York Times and Stuart Loory from Cable News Network were particularly helpful in presenting a picture of the often difficult conditions under which journalists covering the Soviet Union work in order to get the information which they need to educate their audiences. Mr. Doder and Mr. Loory who both recently returned from Moscow, and Bernard Gwertzman, formerly in Moscow, now covering the State Department in Washington are to be commended for the roles which they play in trying to keep the American public informed despite frequent difficult conditions.

We certainly hope that the conference provided a useful background for journalists on U.S. Soviet capabilities and concerns as we move towards the summit discussions in Geneva.

--Gary Eynatian

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, **Marshall I. Goldman and Gary Eynatian.** **RRC @ 1985**

TABLE I

BALANCE OF TRADE - 1st HALF OF 1980, 1981, 1982, 1983, 1984 & 1985.

(Million Rubles)

	EXPORTS FROM THE USSR						IMPORTS TO THE USSR					
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
Austria	280	392	346	271	381	370	160	258	251	380	481	403
Belgium	401	249	530	501	577	384	176	268	329	305	271	298
Great Britain	320	349	416	502	691	549	516	631	354	369	395	392
Greece	187	350	275	173	224	238	44	71	78	93	64	69
Denmark	122	74	199	157	153	132	39	151	42	42	51	51
Spain	104	156	77	148	163	299	67	323	101	148	152	102
Italy	893	1066	1362	1446	1503	1019	429	498	592	793	679	659
Netherlands	567	430	715	895	727	402	178	344	217	314	132	158
Norway	27	28	37	30	50	56	39	58	34	53	46	39
Germany	1067	1207	2059	1614	2314	1864	1603	1586	1525	1893	1726	1680
France	930	1082	1168	1140	1238	990	937	922	727	973	907	1006
Switzerland	173	90	181	257	187	182	205	291	224	211	196	283
Sweden	142	93	159	293	293	235	132	207	207	145	132	177
Japan	471	407	390	388	409	456	907	1168	1532	1237	1036	1245
SUBTOTAL	5693	5973	7914	7815	8910	7176	5432	6733	6213	6956	6268	6562
Sub-Balance of Trade							-261	-760	+1701	+859	+2642	-614
U.S.A.	87	57	76	132	139	147	764	892	1672	878	1272	1764
Canada	15	28	14	19	9	8	321	489	554	651	388	408
Australia	3	8	6	3	6	11	441	381	411	278	312	402
New Zealand	1	2	3	1	3	2	115	96	166	108	31	51
Argentina	20	23	15	15	14	23	590	1060	840	798	727	769
Brazil	12	5	90	6	68	27	139	384	275	281	228	169
TOTAL	5831	6096	8118	7991	9149	7394	7802	10035	10131	9550	9226	10125
Balance of Trade							-1971	-3939	-2013	-1959	-77	-2731

TABLE II

08/05/85
19:05:19

All items in U.S. domestic exports to USSR,
1982, 1983, 1984, January-June 1984, and January-June 1985

(F.a.s. value, in thousands of dollars)

SITC Number	Description	1982	1983	1984	January-June-- 1984	January-June-- 1985
0	Food & live animals	1,642,161	1,194,970	2,585,083	1,032,085	1,288,510
1	Beverages & tobacco	2,979	874	1,264	79	967
2	Crude mat'l--inedible,not fuel	214,249	264,583	224,263	140,546	76,927
3	Mineral fuels, lubricants, etc	90,013	22,571	30,045	13,793	29,979
4	Oils & fats--animal & veg prod	40,565	21,507	38,872	29,006	52,041
5	Chemicals	287,846	239,398	208,219	98,222	119,832
6	Man'd goods by chief material	25,961	29,755	16,573	10,428	4,939
7	Machinery & transport equip	225,458	149,452	110,221	64,723	61,435
8	Miscellaneous man'd articles	59,129	76,422	65,908	25,397	33,907
9	Commodities & transactions nec	614	2,419	2,205	1,073	995
	Total	2,588,975	2,001,951	3,282,652	1,415,353	1,669,534
	Total, all items exported to USSR	2,588,975	2,001,951	3,282,652	1,415,353	1,669,534

Source: Compiled from official statistics of the U.S. Department of Commerce.
Note: Trade does not include special category exports.

TABLE III

08/05/85
20:21:49

All items in U.S. imports for consumption from USSR,
1982, 1983, 1984, January-June 1984, and January-June 1985

(C.i.f. value, in thousands of dollars)

SITC Number	Description	1982	1983	1984	January-June-- 1984	January-June-- 1985
0	Food & live animals	5,413	18,054	17,415	6,845	2,947
1	Beverages & tobacco	11,000	12,923	9,997	4,008	4,588
2	Crude mat'l--inedible,not fuel	10,049	12,075	19,353	8,992	6,697
3	Mineral fuels, lubricants, etc	10,946	59,158	202,563	41,267	74,609
4	Oils & fats--animal & veg prod	6	1	12	2	21
5	Chemicals	131,374	161,121	235,014	126,994	128,883
6	Man'd goods by chief material	63,349	91,304	107,794	55,478	39,004
7	Machinery & transport equip	1,624	3,750	2,874	1,155	1,970
8	Miscellaneous man'd articles	9,156	6,381	4,566	2,735	1,852
9	Commodities & transactions nec	5,277	2,341	2,494	953	1,666
	Total	248,195	367,107	602,081	248,429	262,237
	Total, all items imported from USSR	248,195	367,107	602,081	248,429	262,237

Source: Compiled from official statistics of the U.S. Department of Commerce.

08/05/85
20:07:26

TABLE IV

Leading items in U.S. imports for consumption from USSR in January-June 1985, 1982, 1983, 1984, January-June 1984, and January-June 1985

(C.i.f. value, in thousands of dollars)

TSUSA Number	Description	1982	1983	1984	January-June-- 1984	January-June-- 1985
4806540	Anhydrous ammonia	100,719	96,661	156,240	74,700	72,537
4803000	Urea, nspf	11,504	43,701	52,408	40,519	42,278
4751015	Light fuel oils a tcr 25deg	0	51,474	177,684	41,267	32,939
4750535	Heavy fuel oils un 25 deg	32	0	9,494	0	21,130
6050260	Palladium, palladium	25,028	42,067	59,598	32,459	19,882
4752524	Leaded gasoline	0	0	0	0	11,798
4753500	Naphthas derived petroleum,	0	0	0	0	8,739
4017415	Ortho-xylene	0	0	4,015	984	5,197
6050270	Rhodium, rhodium content	3,482	2,111	3,683	2,038	4,834
4011000	Benzene	0	0	3,233	0	3,381
6181000	Aluminum waste a scrap	0	0	4,892	1,161	3,005
6050220	Platinum sponge platinum	3,971	3,006	2,960	965	2,872
1241045	Sable furskins, whole, raw	7,196	7,861	9,848	4,159	2,398
1693800	Vodka in containers not over	7,948	10,838	7,736	3,172	2,349
1143000	Crabs fresh chilled frozen	2,148	12,921	15,478	5,697	2,260
4017420	Para-xylene	0	0	1,151	0	2,149
6063546	Ferosilicon cont ovr 30%	0	3,300	1,591	1,574	2,082
1693700	Vodka in containers not over	2,364	1,375	1,871	653	2,027
6050750	Palladium bars plates etc	1,694	4,357	15,186	8,875	1,896
2401440	Plywood, birch face not face	1,795	2,990	3,298	1,997	1,574
2452020	Hardboard, not face finished	2,590	2,150	2,576	2,226	1,209
6180650	Unwrought alloys of aluminum	219	143	7,687	0	1,035
4016400	Pseudocumene	0	0	1,304	419	912
2451000	Hardboard, n/face-finished	679	1,237	2,316	683	891
6180200	Unwrght aluminum nspf, other	0	27	0	0	789
4012600	Cumene	0	1,546	542	542	590
6923406	Tractors, wheel ex gardn new	8	870	819	385	525
6532200	Metal coins, nspf	6,109	408	168	57	510
2452010	Hardboard w/pressed surface	136	202	0	0	466
7650300	Paintings, pastels, drawings	117	3,107	2,021	1,956	456
	Total	177,739	292,351	547,802	226,489	252,710
	Total, all items imported from USSR	248,195	367,107	602,081	248,429	262,237

Source: Compiled from official statistics of the U.S. Department of Commerce.

08/05/85
17:55:25

TABLE V

Leading items in U.S. domestic exports to USSR in January-June 1985, 1982, 1983, 1984, January-June 1984, and January-June 1985

(F.a.s. value, in thousands of dollars)

Sched B Number	Description	1982	1983	1984	January-June--	
					1984	1985
1303465	Yellow corn, not donated for r--	818,768	390,915	1,389,842	637,776	1,113,127
1306540	Wheat, unmilled, not donated f--	802,182	800,584	1,170,572	392,030	139,694
4807025	Phosphoric acid, 65% or more a--	268,485	214,810	186,400	87,674	110,166
3001060	Cotton, not carded, not combed--	67	61,338	148,668	101,488	55,863
1454300	Almonds, shelled, not blanched--	10,043	2,341	24,501	2,112	34,367
7905510	Pressure sensitive tape with a--	36,095	58,650	54,920	20,273	27,865
1765220	Soybean oil, crude, including---	0	0	0	0	27,175
1775640	Tallow, inedible----------	17,887	21,505	29,745	19,879	19,057
6923840	Parts, nspf, of tractors, exce--	17,195	14,628	11,887	7,570	12,030
5175120	Petroleum coke, calcined-------	34,269	3,125	8,178	4,950	11,873
4461561	Synthetic rubber, not containi--	0	8,191	14,357	5,678	8,288
3001550	Other cotton having a staple l--	0	10,885	18,739	0	7,713
6640230	Integral tractor shovel loader--	15,753	0	0	0	6,087
4754580	Lubricating oils, nspf, except--	13,024	10	1,630	0	5,974
1775620	Tallow, edible----------	0	0	0	0	5,809
5176100	Electrodes, carbon or graphite--	1,569	1,197	1,609	1,355	5,268
4461521	Polychloroprene (neoprene) rub--	3,790	4,027	2,799	568	4,846
4754555	Insulating or transformer oils--	27,928	13,923	16,449	8,832	4,774
4754520	Automotive, diesel and marine---	10,786	5	1,255	10	4,625
6641074	Pipehandlers----------	0	0	0	0	4,574
6603040	Parts, nspf, of steam turbines--	1,946	1,943	2,742	1,946	3,160
6617065	Industrial machinery for treat--	0	0	298	0	2,795
4756781	Mixtures of hydrocarbons, nspf--	3,885	5,501	2,529	0	2,730
6745430	Parts, nspf, for metal-cutting--	1,892	277	730	120	2,179
6923820	Parts, nspf, of tracklaying tr--	25,651	16,220	12,863	8,461	2,171
6922985	Parts, nspf, of motor vehicles--	5,721	1,675	2,787	2,170	1,995
7714900	Film, strips and sheets of pol--	0	0	582	442	1,612
4744160	Industrial varnishes----------	2,220	3,362	2,925	1,091	1,457
6640513	Drilling and boring machines,---	1,512	1,757	3,656	2,380	1,440
6640576	Front-end loader attachments f--	119	385	976	0	1,326
	Total----------	2,120,787	1,637,254	3,111,640	1,306,807	1,630,042
	Total, all items exported to USSR----------	2,588,975	2,001,951	3,282,652	1,415,353	1,669,534

Source: Compiled from official statistics of the U.S. Department of Commerce.
Note: Trade does not include special category exports.